

EDMONDS CITY COUNCIL APPROVED MINUTES

October 23, 2012

The Edmonds City Council meeting was called to order at 7:01 p.m. by Mayor Earling in the Council Chambers, 250 5th Avenue North, Edmonds. The meeting was opened with the flag salute.

ELECTED OFFICIALS PRESENT

Dave Earling, Mayor
Strom Peterson, Council President
Frank Yamamoto, Councilmember
Joan Bloom, Councilmember
Kristiana Johnson, Councilmember
Lora Petso, Councilmember
Adrienne Fraley-Monillas, Councilmember

ELECTED OFFICIALS ABSENT

Diane Buckshnis, Councilmember

STAFF PRESENT

Stephen Clifton, Community Services/Economic Development Director
Phil Williams, Public Works Director
Shawn Hunstock, Finance Director
Rob Chave, Acting Development Services Dir.
Carl Nelson, CIO
Rob English, City Engineer
Renee McRae, Recreation Manager
Deb Sharp, Accountant
Jeff Taraday, City Attorney
Sandy Chase, City Clerk
Jana Spellman, Senior Executive Council Asst.
Jeannie Dines, Recorder

1. ROLL CALL – MOTION TO EXCUSE COUNCILMEMBER BUCKSHNIS

City Clerk Sandy Chase called the roll. All Councilmembers were present with the exception of Councilmember Buckshnis.

COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER YAMAMOTO, TO EXCUSE COUNCILMEMBER BUCKSHNIS. MOTION CARRIED UNANIMOUSLY.

2. APPROVAL OF AGENDA

COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER PETSO, TO ADD REPORT ON CITY COUNCIL COMMITTEE MEETINGS AS AGENDA ITEM 7A. MOTION CARRIED UNANIMOUSLY.

COUNCILMEMBER PETSO MOVED, SECONDED BY COUNCIL PRESIDENT PETERSON, TO APPROVE THE AGENDA AS AMENDED. MOTION CARRIED UNANIMOUSLY.

3. APPROVAL OF CONSENT AGENDA ITEMS

COUNCILMEMBER PETSO MOVED, SECONDED BY COUNCILMEMBER YAMAMOTO, TO APPROVE THE CONSENT AGENDA. MOTION CARRIED UNANIMOUSLY. The agenda items approved are as follows:

A. APPROVAL OF CITY COUNCIL MEETING MINUTES OF OCTOBER 16, 2012.

B. APPROVAL OF CLAIM CHECKS #134853 THROUGH #135000 DATED OCTOBER 18, 2012 FOR \$521,809.97 (REPLACEMENT CHECK #134899 \$150.00). APPROVAL OF PAYROLL DIRECT DEPOSIT & CHECKS #51749 THROUGH #51762 FOR \$501,784.91, BENEFIT CHECKS #51763 THROUGH #51771 & WIRE PAYMENTS OF \$218,969.64 FOR THE PERIOD OCTOBER 1, 2012 THROUGH OCTOBER 15, 2012.

4. AUDIENCE COMMENTS

Roger Hertrich, Edmonds, referred to last week's Council meeting, commending the Council on their perceptiveness regarding the choices and decisions with regard to the Main Street underpass. He noted the Council apparently did not have the same information that Mayor Earling had on that subject. He recommended in the future when the Mayor has an idea that might work for City, he discuss it with the Council first.

5. OCTOBER 2012 BUDGET AMENDMENT ORDINANCE.

Finance Director Shawn Hunstock highlighted several amendments, noting further detail regarding the amendments is contained in the Council packet:

- Two items related to staffing, one in Finance and one in Planning
- Work performed by the accounting system software vendor to make changes to the City's chart of accounts, required by State Auditor's Office
- Two amendments related to the fiber project
- Cost of the vehicle propane conversion that was previously approved by Council
- Transfer \$2500 from the Criminal Investigation Fund to the Drug Enforcement Fund and close the Criminal Investigation Fund
- Minor corrections to the July budget amendment related to debt refinancing

Councilmember Petso recalled discussion last week about adding spending authority for the Historic Preservation Commission (HPC). Mr. Hunstock distributed information regarding the HPC amendment. He explained the HPC met yesterday to formally adopt a budget for 2012; this would be an addition to the October budget amendment to allow the HPC to begin fundraising activities and set up revenue and expenditure accounts for printing their calendar.

Councilmember Johnson reported she attended the HPC meeting. The HPC plans to distribute a 2013 calendar; this budget amendment will assist with that. She referred to the budget amendment related to the promotion of Kernan Lien from Associate Planner to Senior Planner, recognizing Mr. Lien's ability to perform a variety of highly complex land development and Comprehensive Plan studies; he is always prepared and professional and has been very helpful to the Planning Commission. Councilmember Johnson thanked Mr. Lien for his hard work.

Councilmember Yamamoto asked whether the HPC had sufficient funds to cover the costs of printing the calendar. Mr. Hunstock explained the HPC plans to seek sponsorships for the calendar which will provide more than enough to pay for the cost of printing. The calendars will not be printed until sufficient funds have been received to cover the cost of printing.

COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER PETSO, TO APPROVE ORDINANCE NO. 3897, AN ORDINANCE OF THE CITY OF EDMONDS, WASHINGTON, AMENDING ORDINANCE NO. 3893 AS A RESULT OF UNANTICIPATED TRANSFERS AND EXPENDITURES OF VARIOUS FUNDS. MOTION CARRIED UNANIMOUSLY.

6. LAKE BALLINGER/MCALEER CREEK WATERSHED FORUM UPDATE

Public Works Director Phil Williams explained the forum, comprised primarily of representatives from Mountlake Terrace, Edmonds and Lake Forest Park, seeks to analyze and eventually solve problems related to Lake Ballinger and McAleer Creek, primarily focusing on flooding issues and eventually water quality and habitat issues. During the last nine months, the lobbyist the cities hired has been working on those two issues, seeking funding from, 1) Water Resources Development Act (WRDA), and/or 2) direct

appropriations at the congressional level. There has been a great deal of publicity related to Lake Ballinger; representatives from local legislative offices representing the cities as well as Congressman Jim McDermott and Congressman Rick Larsen have toured the site and looked at the issues.

The primary work product, being done by Mountlake Terrace with Edmonds providing some funding, is developing a design to replace the three culverts that currently convey lower McAleer Creek out of Lake Ballinger and through the I-5 cut. The culverts impede the flow of water out of the lake which allows lake levels to rise. Removing the restrictions will allow the water to flow out more quickly which will prevent lake levels from rising. He anticipated Mountlake Terrace will put the project out to bid in the spring (replacing the culverts with two open bottom arch culverts and a bridge on the Nile property in Mountlake Terrace). The governor's office asked the forum to submit a state capital budget request; the amount agreed upon was \$750,000. Because the State's highest priority in managing stormwater and flood waters is incorporating low impact development techniques, that will be the focus of the project.

Mr. Williams reported Councilmember Petso, who has represented the Council on the forum, is stepping down; Council President Peterson has offered to be the new representative.

Councilmember Petso commented one of the unusual aspects of the Lake Ballinger project is the City may be asked to contribute funds for a project on private property in another jurisdiction in order to address flooding of properties in Edmonds. She preferred projects be done on public property whenever possible. Mr. Williams responded he did not anticipate the City would fund a project on private property in another jurisdiction. Funds will be divided equally between the three jurisdictions to fund projects within each city. The intent is to spend the money in a manner that has the greatest possible impact on the reduction of flooding, independent of where it is located.

7. BUDGET WORK SESSION

Finance Director Shawn Hunstock explained staff will maintain a list of proposed changes to the budget and a spreadsheet illustrating the positive/negative impact of any proposed changes. He reviewed the budget schedule:

- October 30
 - Budget Work Session
- November 5
 - Public hearing on revenue sources including property taxes
 - Public hearing on 2013 budget
- November 20
 - Public hearing on 2013 budget
 - 2013 budget adoption

Budget Overview

Mr. Hunstock referred to page 17 of the 2013 budget, explaining a series of policies are included in the budget document. Some policies were included in past budgets and others are policies the Council adopted over the past year, such as the reserve policy and investment policy. He encouraged Councilmembers to review the policies and inform him of any suggested changes that would then be included with adoption of the final budget.

He referred to page 18 of the budget, explaining during the 2011 audit, the Auditors asked for the City's capitalization policy. After much research, staff discovered the City did not have such a policy. The Capital Asset Policy that has been included in the City's Annual Financial Statement for several years was included in the 2013 budget. This policy has never been formally adopted as a policy; it will be presented to the Finance Committee prior to yearend.

Councilmember Fraley-Monillas asked if Councilmembers should hold proposed amendments until the meeting when the Council discusses adoption of the budget. Mr. Hunstock suggested Councilmembers email him any suggested changes to the policies. He will provide the Council a strikethrough/underlined version of proposed changes. Staff will also maintain a comprehensive list of proposed amendments. Once all amendments have been proposed, he suggested Council prioritize the list so that all amendments have equal consideration.

Councilmember Petso recalled during prior budgets, amendments were proposed in advance identifying the Councilmember that proposed it. The list of amendments was then posted so citizens and Councilmembers have an opportunity to review the amendments. She suggested using that procedure. Mr. Hunstock agreed that could be done and offered to identify the Councilmember proposing the amendment on the spreadsheet where the impact of the proposed amendment on the budget is illustrated.

Mr. Hunstock referred to page 21, an updated Strategic Outlook 2010-2017. The 2013 budget is balanced with total revenues of approximately \$32.9 million and approximately \$32.9 million in expenditures. He explained the 2010 ending fund balance on the Strategic Outlook does not equal 2011 beginning fund balance. The reason is there have been changes in accounting standards that define fund balance and the fund balance in the General Fund. It was decided not to include any reconciliation on the Strategic Outlook in the budget document but could be done later if the Council wishes. He distributed a reconciliation to illustrate the numbers tie to the City's audited financial statements.

Mr. Hunstock relayed a comment from Councilmember Buckshnis about the use of increases in fund balance the last two years and a projected increase in 2012; \$786,000 in 2010, \$780,000 in 2011, and an estimated \$307,000 in 2012. Mr. Hunstock referred to the August Financial Report presented at the October Finance Committee meeting. He pointed out the fund balance in the General Fund decreased from \$5.7 million to \$3.5 million. Most of that is related to funding the Contingency Reserve Fund; \$2 million was moved from the General Fund into the Contingency Reserve Fund 012. In addition \$1.9 million in the Emergency Financial Reserve Fund as well as the \$1.3 million set aside from the sale of fire assets were moved into the Contingency Reserve Fund 012 which now has a balance of approximately \$5.3 million.

Mr. Hunstock relayed another question which was whether the B Fund, the operations and maintenance portion of the Equipment Rental Fund, was funded. He explained the B Fund contributions were funded in the 2013 budget. The General Fund component of that is \$301,000; all funds total \$525,000. The B Fund was not funded in 2009 and 2012. It is the opinion of Public Works and the fleet maintenance professionals that the City cannot go another year without funding the B Fund.

Mr. Hunstock relayed another question regarding cost of living adjustments (COLA) included in the 2013 budget. He explained the 2013 budget includes 2% for all employees, represented and non-represented. He distributed and briefly reviewed a history and projection of COLAs. The 2% COLA for nonrepresented employees in 2013 is approximately \$60,000.

In response to a question from Councilmember Buckshnis regarding utility taxes and REET, Mr. Hunstock explained the projections for utility taxes have been changed and the budget for REET has been increased. As reflected in the August Financial Report, gas utility taxes are lower than budgeted in 2012; the 2013 budget for gas utility tax has been lowered. He summarized the 2013 utility tax budget reflects changes that have occurred during 2012 and to the extent those changes can be projected to continue.

Mr. Hunstock relayed a question from Councilmember Petso regarding the property tax outlook in 2017. He explained the reason for the decrease is the last year of the voted bond levy is 2016 which reduces property taxes by approximately \$900,000 in 2017. Councilmember Petso asked whether the corresponding debt service obligation was also satisfied at that time. Mr. Hunstock agreed it was.

Mr. Hunstock relayed another question regarding benefit expenses shown on the Strategic Outlook, increasing from \$4.041 million in 2012 to \$4.153 million. He explained when the deficit of \$1.5 million was projected for 2013, it included an 11% increase in the AWC health insurance premiums. Savings were accomplished via a different health insurance plan, estimated to save \$333,000 which exceeds the target of \$250,000. The difference between the 2012 costs and 2013 is only approximately \$20,000; the \$333,000 savings is between the 2013 costs with United HealthCare and the projected increase in AWC health insurance premiums. The savings is partially offset by a significant increase in the PERS contribution rates which increased from 7.21% 9.03%. The net result when comparing 2012 to 2013 is a cost increase due to the modest savings in health insurance offset by the increase in PERS contribution rates.

Councilmember Yamamoto asked about grants reflected in the Strategic Plan. Mr. Hunstock responded amounts in 2010 and 2011 are actual grants received. Most of the grant activity does not occur in the General Fund; grants are typically in the Street Fund and REET Funds. Grant opportunities arise throughout the year and typically actual grant revenue is higher than the amount included in the budget. He offered to provide details regarding the \$209,434 received in grants in 2010.

Councilmember Fraley-Monillas inquired about Fines and Forfeitures. Mr. Hunstock answered forfeitures are deposits that were surrendered, etc. Most of the revenue in Fines and Forfeitures is penalties, traffic citations, court items, etc. Accountant Deb Sharp agreed it was primarily fines, very little is forfeitures.

Mr. Hunstock referred to page 25, a graph and list of employee count by department. He corrected the Court 2013 budget; it should be 6.5 FTE, not 7.0.

Councilmember Bloom asked Mr. Hunstock to explain the chart in more detail. Mr. Hunstock explained it is 2013 budgeted positions by department. Most of the reductions relate to the Voluntary Separation Incentive Program (VSIP), staffing changes related to across-the-board reductions or department reorganizations. Councilmember Bloom asked about the .5 FTE in City Council. Mr. Hunstock answered that is the part-time Senior Executive Council Assistant.

Councilmember Petso referred to page 26, Property Tax New Construction, and requested a column be added showing the property revenue from the new construction assessment.

Mr. Hunstock referred to page 27, 2013 Revenue Summary – All Funds, explaining this is a new chart that shows prior year actuals, the 2012 budget, 2012 estimate, 2013 budget, change between 2013 and 2012 budget and change between 2013 and 2012 estimate. He relayed a question from Councilmember Petso regarding the 2012 estimates in the two REET funds. The difference in the 125 Fund is it includes funds transferred from the General Fund related to Haines Wharf which were approved by the Council. There typically is a difference in the revenue between the two REET funds due to grant revenue.

Mr. Hunstock explained a few changes to page 27 related to the bond refinancing will be required before the final budget is adopted by Council. The recent bond refinancing was very successful; the anticipated savings of \$1.4 million was actually \$1.9 million due to very low interest rates, 1.69%. The budget was developed using the assumption of \$1.4 million savings. Most of the savings occur in the future but there are some savings in 2013. He distributed information regarding the savings related to the bond refinancing. In the General Fund there is a savings of \$7,500 in 2013; it could be allocated for other purposes or added to reserves.

Councilmember Petso referred to a significant increase in the Firemen's Pension Fund shown on page 27. She asked whether that was a permanent increase or a one-time increase. Mr. Hunstock responded it was more than likely a permanent increase. He will address that issue later in his presentation.

Councilmember Bloom asked about the Memorial Tree Fund, noting there is a limited amount in the fund on page 27 but page 29 reflects a beginning fund balance of \$17,673. Mr. Hunstock explained the \$17,673 is fund balance, page 27 is revenue and page 28 is expenditures. No activity is budgeted in that account in 2013 other than \$27 in interest. He suggested any specific questions be asked during review of the Parks & Recreation budget next week.

Mr. Hunstock referred to page 29, and the \$123,223 transferred from the General Fund to the Contingency Reserve Fund. He explained the target the Council adopted for the Contingency Reserve is 16% of General Fund revenues which changes as revenues change. The \$123,223 transfer funds the Contingency Reserve at \$5.4 million, slightly short of the 16% target. To the extent funds are available, he proposed increasing that allocation to meet the 16% target. The current amount is approximately \$73,000 short of 16% of General Fund revenue.

Mr. Hunstock explained all the pages after page 29 are new information added to the 2013 budget document. He referred to page 37, 2012 Property Tax Rates by Jurisdiction. He pointed out the City receives a small portion of property taxes collected; just under 21% for the regular property tax levy, EMS levy and voted bond levy. The City's regular property tax levy for 2012 was \$1.66.

For Councilmember Petso, Mr. Hunstock advised the City Bonds on the pie chart on page 37 should be 1.5%. Council President Peterson commented the labels on the pie chart did not appear to be correct as the size of the slices did not match the percentage. Mr. Hunstock agreed that needed to be corrected and assured the percentages in the table on page 38 were correct. He distributed additional information regarding the City's property tax levy that was distributed at the October Finance Committee meeting.

With regard to Councilmember Petso's early comment regarding the property tax from new construction, Mr. Hunstock advised the 2013 projection is \$49,000, based on the value of new construction of \$28 million. The regular property tax levy for 2013 is \$1.76 including the 1% allowable increase (\$96,000) as well as new construction, total 2013 revenue is approximately \$9.8 million. With declining assessed values, EMS levy revenue is declining; the estimated collection is \$2,775,000, a decrease of approximately \$110,000 from the prior year which more than offsets the 1% increase in regular property taxes. The decrease represents banked capacity. To the extent the City is not able to increase the EMS levy by 1% per year due to the \$0.50 cent limitation, the difference between what can be collected and the amount the City otherwise would have collected based on the prior year plus 1% becomes banked capacity that can be used later should assessed values increase. He confirmed with the Snohomish County Assessor's Office that the City has approximately \$965,000 in banked capacity, the cumulative decrease in the EMS levy from the time it was adopted and decreased assessed values.

Councilmember Petso asked if this was expected to be the last decline in assessed values. Mr. Hunstock expected there will likely be one more small decline. There is a 2-year delay; the money the City receives in 2012 is based on 2010 transactions that are assessed in 2011 and collected in 2012. There is anecdotal evidence of improvement; realtors are receiving multiple offers, inventory is declining, etc. He suggested some of that change occurred in 2011 so there may be some increase in 2013 that will be collected in 2014. The budget represents approximately a 4.6% decline in assessed values from the prior year.

Mr. Hunstock referred to page 39, Sales Tax Distribution by Government Entity, pointing out the small amount the City receives; on the total sales tax of 9.5%, the City's portion is 0.85%. Page 40 illustrates Retail Sales Tax Collection by Sector; the largest contributor is Motor Vehicle and Parts Dealers. Of the \$4.6 million the City collected in sales tax in 2011, just over \$1 million was from Motor Vehicle and Parts Dealers. Construction, the second largest source of sales tax revenue, also provides a large portion of sales tax but it is typically one-time activities.

Mr. Hunstock referred to decision packages on page 43, advising CIO Carl Nelson and Public Works and Engineering staff will address the decision packages related to their departments during review of their budgets. The decision package related to the PROS Plan can be discussed next week during review of the Parks & Recreation budget.

In response to a question regarding whether the cost of the PROS Plan could be spread over two years, Mr. Hunstock recalled Ms. Hite mentioned it would be possible to spread the update over 2013 and 2014. He cautioned that does not solve the issue because the expense is still \$125,000; if the cost is split between the two years and the \$62,000 savings is spent elsewhere, that amount will need to be budgeted in 2014 to complete the update.

Councilmember Petso asked about the fiber-related decision packages. CIO Carl Nelson explained the Fiber Optic Customer Development is related to having someone pursue approximately 100 businesses that have been identified along the fiber route. The cost would be spread over two years. The anticipated revenue per customer is approximately \$200-\$700/month depending on the customer's needs. The Diverse Fiber Route to Hwy. 99 decision package is a second route of fiber from downtown Edmonds to Hwy. 99. There is a route from Hwy. 99 to downtown but not from downtown out in the event the system goes down. Some of the customers who have been explored asked about a diverse route from the downtown area. A diverse route would also allow an approximately \$20,000 reduction in City phone charges. The goal is to begin building the diverse route out of downtown; the first route would be from the Wastewater Treatment Plant to the Edmonds Cemetery and then to Hwy. 99.

Councilmember Fraley-Monillas asked about providing fiber optics to the medical corridor near Swedish-Edmonds. Mr. Nelson answered there was an inquiry from UW Heart Center near Swedish Edmonds but their 5-year lease did not provide a reasonable payback. Councilmember Fraley-Monillas asked about other medical offices near Swedish-Edmonds such as a hand clinic near McDonalds and another building behind Krueger Clinic. Mr. Nelson advised pursuing those potential users is the intent of the Customer Development decision package.

Mr. Williams described the Engineering FTE decision package. The Transportation Plan, adopted in 2009, the Water and Stormwater Plans adopted in 2010 and the Wastewater Plan anticipated to be adopted in 2013, all have capital improvement programs. The City has also received numerous grants and that work needs to be delivered. There are not enough people in the City's engineering department, currently 12 people, to do that work. The goal would be to staff up to do that work which would be about half the cost of hiring a consulting firm. He anticipated there was at least 3+ years of work.

Councilmember Petso asked if grant funds covered an outside consultant. Mr. Williams answered a grant was a fixed sum; doing the work in-house for less money would free up funds for contingencies. The proposal is to fund the person with capital funds in the Water, Storm and Sewer Utility. Councilmember Petso commented it is really not a savings if the work is grant funded. Mr. Williams responded an increase in costs could lead to a City cost; any cost savings are beneficial.

For Councilmember Bloom, Mr. Williams explained the decision package is for a Capital Projects Manager or an Engineering Tech III; the final decision will be made in consultation with the Human Resources Department to match the scope of the job to the job description. Consultants will potentially be hired in the future to produce and update plans.

Mr. Hunstock referred to page 46, a comparison of 2011 actuals, 2012 budget, 2012 estimate and 2013 budget. Councilmember Fraley-Monillas asked if the amounts included benefits. Mr. Hunstock answered yes, the amounts included all costs. He explained these are department totals. Each department's budget includes the divisions and total expenditures for each division which correspond to the chart on page 46.

Mr. Hunstock referred to the organizational chart on page 48, advising each department now has an organizational chart. In the past the organization chart only listed functional areas, they now list positions.

City Council (page 48)

Council President Peterson distributed copies of the City Council budget narrative that was sent via email earlier today. He highlighted increases in the City Council budget for Council salaries, communications and the Council Contingency Fund.

Councilmember Petso commented the entire General Fund balance, apart from the \$5 million in reserve, is available to the Council as a contingency. She asked if the intent of budgeting a Council Contingency was to authorize the Council President to expend the funds without Council authority. Council President Peterson explained the intent of the Council Contingency Fund, as has been done in the past, is to provide funds for Council specific actions such as hiring outside legal counsel, consultants, etc. He assured this is not a Council President specific fund; the Council Contingency Fund allows the Council to allocate funds to certain items rather than doing so via a budget amendment.

Mr. Hunstock explained \$25,000 was budget in 2012 and is also budgeted in 2013. The 2012 estimate, \$5,000, relates to legal counsel hired for the closed record appeal.

Councilmember Petso recalled she was told any funds budgeted in the General Fund were available for expenditure at Administration's discretion. Mr. Hunstock answered technically yes; however, Senior Executive Council Assistant Jana Spellman as well as his staff ensure any expenditures from the Council Contingency Fund are approved by the City Council.

Councilmember Fraley-Monillas asked about overtime in the City Council budget, \$6,200 in 2011, \$7,200 estimated in 2012 and \$6,600 budgeted in 2013. She recalled Council President Peterson's explanation that some of the overtime was due to lengthy Council meetings. She suggested adding hours to the part-time staff person rather than paying overtime. Council President Peterson explained the part-time Council staff also works part-time in Development Services; she works 40 hours/week split between two departments.

Councilmember Fraley-Monillas suggested the person work within their 40 hours, 20 for Council and not pay \$7,200 in overtime. Council President Peterson suggested if time spent at Council meetings were part of the Senior Executive Council Assistant's 20/hours a week, there would be limited time remaining for other Council related projects and office tasks. Councilmember Fraley-Monillas recognized most of the overtime is expended on Tuesday nights to video Council meetings. She suggested discussing this further in the future. Council President Peterson noted the \$7,200 is time and a half; \$5,000 is straight time for that service.

Councilmember Petso asked about professional services, noting a portion of it was City Attorney. It was her understanding the City Attorney was a flat fee and should not matter how much the Council utilized the City Attorney. Council President Peterson advised a portion of the City Attorney's fee is included in the City Council budget. The Council meeting minute taker is also included in professional services. City Clerk Sandy Chase advised the minute taker is funded from the City Clerk's budget other than a small portion for the Council retreat.

Councilmember Yamamoto advised Mr. Nelson and he are studying options to upgrade the videoing of Council meetings to make them live stream which may also address overtime and staffing issues. Mr. Hunstock advised that functionality will be demonstrated at the November 5 Council meeting.

Councilmember Bloom referred to the purpose statement that states the City Council's time commitment ranges from 25-32 hours per week. She noted that is significantly different than what is stated in the

Council manual. She suggested the Council manual be changed as 25-32 hours is much closer to reality rather than the 12-18 hours stated in the Council manual. Mr. Hunstock advised the 25-32 hour time commitment has been in the budget narrative for some time.

Mayor's Office (page 50)

Mr. Hunstock advised the organizational chart will be revised before the budget process is finalized to reflect the 3.5 FTE that report to the City Clerk as well as the Human Resources Analyst who reports to the Human Resources Manager. He referred to page 51 that lists the programs, Office of the Mayor, Human Resources, City Clerk and City Attorney.

Councilmember Fraley-Monillas recalled Mayor Earling canceled out of state travel and asked how that affected the 2013 budget. Mayor Earling explained staff can ask to attend an in-state conference; often staff pay their own room and board and the City pays the conference fee. Mr. Hunstock noted many departments have decreases in their travel budgets; he assumed that was due to in-state training.

Mr. Hunstock referred to the Office of the Mayor's budget on page 53. Mayor Earling commented there were few increases. The two exceptions are travel and rental/lease. The increase in rental/lease is due to a cost increase and that amount is spread between Community Services, the Mayor's office and Human Resources. The increase in travel is conferences that may be beneficial to the City. He only attended one conference this year in Vancouver; the cost was \$400-\$500. Mr. Hunstock advised the decrease in salaries was due to a somewhat lower salary for the Mayor's Executive Assistant.

Employee Parking Permit Fund (page 145)

Mr. Hunstock explained this is downtown business employee parking permits. The interfund transfer relates to a transfer to the General Fund for the City Clerk Office's administration of the parking permit program.

Sister Cities Commission (page 162)

Mr. Hunstock explained this fund has been administered by the Parks & Recreation Department in the past. Mayor Earling explained due to the reduction in staffing in Parks & Recreation, it will be administered by the Mayor's Office in 2013.

Fire Pension Fund (page 180)

Mr. Hunstock explained there are two funds related to fire retirees. The 617 Fund is pre-LEOFF 1 fireman's pension fund. To the extent firefighters hired before LEOFF 1 have different benefits than LEOFF 1, this fund pays the difference. The Fire Insurance Premium Tax was not funded in 2011 but was budgeted in 2012 and 2013. This fund pays a portion of the cost of an actuarial study done every two years and updated annually. Between both funds, \$25,000 was budgeted for the actuarial study; the actual cost was approximately \$8,000. The firm hired to do the actuarial study also does the actuarial study for the City's MEBT plan so they are familiar with the City and Snohomish County.

Councilmember Petso asked how many pre-LEOFF retirees there are. Mr. Hunstock answered there are four. Councilmember Petso asked what happens to the remaining fund balance when there are zero pre-LEOFF employees. Mr. Hunstock answered more than likely there will not be any fund balance left. He displayed an excerpt from the actuarial study, pointing out the four individuals in the pre-LEOFF fund are fairly expensive. The total liability that is not funded is \$1.4 million. The City is on a pay-as-you-go basis with this fund as well as the LEOFF Medical Insurance Fund 009. As benefits are paid out, a transfer from the General Fund is budgeted to pay for the benefits. None of accumulated liabilities are prefunded. One of Councilmember Buckshnis' questions was whether retirement benefits related to these two funds are funded; he explained neither fund is anywhere near fully funded. Fund 009 has a \$428,000 fund balance that is rolled over and there are accumulated liabilities of \$8.2 million related to long term care and health insurance benefits for LEOFF 1 retirees and their surviving spouses.

Councilmember Petso commented medical and long term care expenditures depend on longevity. The pension obligation will remain and be paid from the 617 Fund. Mr. Hunstock answered that is based on the actuarial study as well. The expenditures are based on projected lifespans of the individuals and their surviving spouses. The pre-LEOFF employees entered fire service prior to 1978.

If the liabilities in Fund 617 disappear, Councilmember Petso asked whether the funds can be used for other purposes. Mr. Hunstock answered they can be used but he did not expect the liability to go away any time soon. He offered to provide the Council a copy of the actuarial study.

City Clerk (page 56)

Mr. Hunstock explained most of the changes relate to implementation of the across-the-board budget reductions. City Clerk Sandy Chase highlighted the following reductions:

- \$65,270 professional services expenditure in 2012 related to implementation of document management system
- \$20,000 reduction in advertising, eliminating publication of display ads for City Council and Planning Board agendas in the Everett Herald
- \$2,000 reduction in postage
- \$1,000 reduction in travel

City Attorney (page 38)

Mr. Hunstock explained the City Attorney contract is a 4-year fixed rate. The Police Chief is in discussions with the provider of prosecutorial services; the budgeted amount may change by yearend. As the prosecuting attorney's contract expires in December 2012, he expected a contract extension before yearend and a proposal for a change in the cost.

Councilmember Fraley-Monillas asked whether the expenditures for other law firms were reflected and whether they were budgeted by department. Mr. Hunstock answered it depends on the nature of the contract; for example, the contract with Summit Law Office related to the bargaining process was funded by Non-Departmental as there are limited funds in the Human Resources budget to absorb such costs. Legal costs typically would be funded by the department's budget. For example, legal representation related to the closed record review was in the Council budget.

Councilmember Petso asked whether the City Attorney's contract is charged entirely to the Mayor's department. Mr. Hunstock answered a portion of the cost is charged to the City Council budget.

Municipal Court (page 60)

Municipal Court Judge Doug Fair explained most of the adjustments were related to the requested across-the-board reduction. The biggest reduction is in salaries, half of one Clerk. He explained the Police Department is currently down one traffic officer; the traffic division writes 75% of traffic tickets. When that officer returns in November, the court's caseloads will increase. He hoped to be able to restore the 0.5 FTE Court Clerk.

Mayor Earling declared a brief recess.

Community Services/Economic Development (page 92)

Community Services/Economic Development Director Stephen Clifton explained the 2013 Economic Development budget includes \$16,000 for professional services, down \$3,000 from the previous \$19,000 budget. There is a significant reduction from the 2012 estimate due to the one-time expenditures for the Strategic Plan consultant. The advertising budget is proposed to be reduced from \$30,000 to \$24,000, a \$6,000 reduction.

The Community Services budget includes a reduction of \$10,254 in professional services. That amount was previously budgeted for an on-call environmental attorney; City Attorney Jeff Taraday has indicated his firm can provide those services. There is also a minor reduction in interfund rental.

Multimodal Transportation Fund (page 132)

Mr. Clifton explained the fund has a balance of \$55,000. The monies are used for local match for any activities requested by Washington State Ferries (WSF) or the federal government. There is typically an 80/20 or 70/30 split between WSF or federal funds and the City's match.

Hotel/Motel Tax Fund (page 144)

Mr. Clifton projected revenue of \$70,000 in 2013.

Council President Peterson recalled some of those funds have been allocated to the Edmonds Center for the Arts in the past. Councilmember Bloom advised that allocation was increased to \$12,500 in 2013 at the ECA's request.

Finance and Information Services (page 62)

Mr. Hunstock advised the organizational chart reflects some of the reorganization of the department but not everything. The plan for reorganizing IT is to upgrade either the Network Support Technician, the Information Systems Specialist or the GIS Analyst to an IT Supervisor as well as add a half-time IT Assistant. There will be an open, competitive process between the three individuals to select the IT Supervisor. The intent of the upgrade and the additional halftime IT Assistant is to backfill for most of the duties related to Mr. Nelson's current position. Mr. Hunstock advised he will take on some of the responsibility for IT as well. The addition of the Accounting Supervisor in the Finance Department will allow him to devote time to IT responsibilities. The two Accounting Technicians and the two Utility Accounting Technicians will report to the Accounting Supervisor; the Accountant, Accounting Supervisor, and IT Supervisor will report to him.

Mr. Hunstock referred to page 64, explaining most of the changes relate to across-the-board reductions. The increase in salaries is related to two positions added to the Finance Department in April 2012, nonrepresented compensation for his position and the projected increase in costs related to reclassification of an Accountant to the Accounting Supervisor position. The overtime budget for 2013 has been eliminated entirely; he was uncertain that would be feasible but that was the goal. There were also increases in benefits related to increases in salaries and the increase in the PERS contribution. The reduction in professional services budget by eliminating the contract for sales tax monitoring is offset by a consultant to review the cost allocation plan. The State Auditor's Office has indicated that will be an area of focus for all cities next year. The result of reviewing the cost allocation plan will be to provide a basis for allocating costs to the utility funds and other funds. Allocations are currently done based on estimates.

Councilmember Petso expressed concern that a reduction in sales tax monitoring would result in lower revenues. Mr. Hunstock explained the plan for 2013 is to increase the use of technology such as the utility data base, business license data base, property tax information from the Assessor's Office and data from the Department of Revenue (DOR). IT staff will prepare comparisons of the information in those four sources to ensure businesses in Edmonds are reporting sales in Edmonds to DOR. Currently a third party consultant only compares businesses located in Edmonds that apply for State business licenses who have not applied for a City business license and notifies DOR of any discrepancies. Councilmember Petso commented a portion of sales tax revenue is also collected by the Public Facilities District.

Fiber Optic Project (page 65)

Mr. Nelson explained this is a status quo budget and allows the fiber optic project to continue to deliver service.

Information Services (page 66)

Mr. Nelson referred to Mr. Hunstock's explanation of the reorganization. The most significant change is the Microsoft enterprise agreement is entering the fourth year of a five year plan and fees decrease by \$4,000-\$5,000. The budget also reflects a reduction in the purchase of desktop computers; enough have been purchased to support Windows 7.

Councilmember Bloom commented the limited mailbox size reduces Councilmembers' and staff's productivity and asked when that would be resolved and whether it would be impacted by the department reorganization. Mr. Nelson advised a server is being tested; the limitation on mailbox size will be eliminated within the next two months.

Councilmember Bloom asked whether the reorganization will impact information available on the City's website. Mr. Nelson answered it should not be. The GIS Analyst has been assisting staff and the consultant who developed the website will also provide assistance.

Non-Departmental (page 68)

Mr. Hunstock explained a potential cost increase of 2% or \$124,000 has been budgeted for the Fire District contract. The potential cost increase for 2013 is unresolved at this time. The City did not learn of the cost increase last year until February. There are also discussions underway regarding potential staffing changes in the three fire stations.

Councilmember Petso relayed her understanding that staffing levels were guaranteed under the contract. Mr. Hunstock agreed they are. The current staffing levels could be retained but there may be opportunities for different staffing levels for medics that would spread the coverage better among the three fire stations and potentially decrease one position in each station.

Mr. Hunstock relayed a question from Councilmember Buckshnis regarding the effect of the bond refinancing. He explained all the debt service has been updated as a result of the bond refinancing other than the previously identified \$7,500 savings due to the low interest rates.

Councilmember Yamamoto inquired about the Voter Registration budget. Mr. Hunstock explained costs vary based on the number of Councilmembers on the ballot, type of election, whether there are items on the primary ballot, etc. There is some potential for an August ballot item related to the Regional Fire Authority (RFA). The budgeted amount is based on the number of Councilmembers up for reelection, the voters' pamphlet, etc. Councilmember Yamamoto inquired about the \$35,000 budget for Election Costs. Mr. Hunstock answered that amount is budgeted for the three Councilmembers on the ballot; the remaining costs are the cost of the general election, voter pamphlet, and potentially an August ballot item related to the RFA.

Mr. Hunstock referred to a question from Councilmember Buckshnis regarding the \$417,000 transfer to the Risk Management Reserve Fund. Although the policy states the Fund will be funded by 2014, the transfer was included in the 2013 budget due to the potential for a number of claims against the City to reach closure in 2013 such as the Precision Earthworks claim and two Human Resources related claims. The City currently has \$244,000 set aside for all claims. In response to Councilmember Buckshnis' question about funds budgeted for projected legal fees, Mr. Hunstock explained there are no funds allocated other than the \$244,000 in the Risk Management Reserve Fund. To the extent any of those claims reach closure in 2013, the \$244,000 will not last long and is the reason for fully funding the Risk Management Reserve Fund in the 2013 budget up to the 2% target, bringing it up to \$661,000. He noted that amount is less than one of the claims pending against the City.

Councilmember Petso asked how the 2012 surplus would be used, recalling in 2011 the Council chose to use the 2011 surplus as a contribution to the B Fund and not budget the B Fund for the following year.

She asked if that could be done with the 2012 surplus. Mr. Hunstock answered it is possible but would bring the General Fund very close to a deficit. The Strategic Outlook (page 21) shows a projected surplus of \$307,000; that entire amount would be required to fund the B Fund which was not included in the 2012 budget. As illustrated in the August Financial Report, with the transfer of \$2 million to the Contingency Reserve Fund, the fund balance in the General Fund is getting lower and lower. That will need to be analyzed each month in the future. He referred to page 31, Change in Ending Fund Balance – All Funds, which illustrates an estimated 2013 ending fund balance of \$1.7 million.

Councilmember Petso observed if the General Fund balance dropped to \$1.7 million by yearend, that amount is in addition to the \$5.2 million in the Contingency Reserve. Mr. Hunstock agreed.

Mr. Hunstock relayed the \$220,000 budgeted for the ECA Contingency Reserve is a decrease of \$30,000 from 2012. ECA Executive Director Joe McIalwain estimates that amount could be reduced to \$190,000, providing an additional \$30,000 that could be added to reserves or budgeted for other expenditures.

Mr. Taraday referred to the Public Defender line item, a significant increase over what has historically been budgeted for the public defender. He recommended discussing this further in the future as there are ways to work with the Police Department and Prosecuting Attorney to reduce that amount to zero.

LEOFF Medical Insurance Reserve Fund (page 128)

Mr. Hunstock explained the \$600,000 transfer, an increase over the 2011 transfer of \$376,000, maintains a fund balance of approximately \$300,000. If the Council chose, it is possible to draw down the fund balance by transferring a lower amount but a \$600,000 transfer would be required the following year.

Risk Management Reserve Fund (page 130)

Mr. Hunstock referred to the \$417,000 transfer from the General Fund for a total fund balance of \$661,000. To the extent that claims are concluded in 2013, that amount will not last long.

Councilmember Petso suggested changing the policy to establish a range as recommended by the City Attorney and the Mayor rather than a percentage of General Fund revenues. Mr. Hunstock agreed that would be appropriate; he suggested 2% was not a realistic target but was better than what previously existed which was zero. Councilmember Petso commented it seemed to duplicate the Contingency Reserve but she understood the reason for the Risk Management Reserve. Mr. Hunstock pointed out the Strategic Outlook does not include replenishing the \$661,000 Risk Management Reserve. The Council may want to discuss replenishing the fund after pending claims are paid.

Contingency Reserve Fund (page 131)

Mr. Hunstock explained as previously mentioned, there is a \$122,000 transfer in from the General Fund to this fund that is intended to assist with meeting the 16% target. To the extent that funds are available, he recommended increasing the \$122,000 transfer. He emphasized there is no expenditure appropriation in the budget; the money cannot be used or moved without affirmative action by the Council.

LID Fund Control, LID Guaranty Fund (pages 165-166)

Mr. Hunstock explained some LID funds are still being collected. In 2012 the balance in the LID Guaranty Fund was transferred to the Risk Management Reserve Fund. If any funds are received, he recommended a budget amendment to transfer to the Reserve Fund or the General Fund.

LTGO Bond Fund (page 167)

Mr. Hunstock explained the savings from the bond refinancing have been incorporated into the 2013 budget with the exception of \$28,000 of additional savings. That will be updated before the Council takes action on the budget.

Development Services (page 96)

Acting Development Services Director Rob Chave referred to page 97, explaining the largest reductions are in salaries and benefits which reflects the loss of an employee in Building Services via the VSIP. The Assistant Building Official position is eliminated and the Building Official assuming some of those duties. He referred to other small reductions which require staff to do more electronic distribution of documents. For example materials have been available at Planning Board meetings; that will be changed to providing a single public copy. Although that could be viewed as negative, the positive is it will encourage people to study materials prior to the meeting.

Mr. Chave explained professional services are also significantly reduced. For example Building has historically sent projects out during peak work periods; if building activity increases significantly, staff will be swamped. To the extent revenue is generated by that activity, the Council may be asked to restore professional services funding. He noted reductions in travel result in less training; efforts are made to take advantage of online training or local training opportunities. He noted professional services in the Development Services Admin support the online permit system. The reduction in professional services makes it difficult to do any enhancements. In the future more permit activity will be online. Staff may request funding from the Council for some future enhancements. The reduction in professional services may also affect Planning Board minutes. Although the narrative states Planning Board minutes will be reduced from two meetings/month to one, the actuality is a reduction to the equivalent of one meeting a month by reducing meetings to one a month during slow periods. Staff also plans to monitor the Hearing Examiner budget; the 2012 actual will be approximately 2/3 of budget. If that occurs in 2013, the funds could be used to fully fund minute taking. If savings are not available, Planning Board minutes may be reduced to summary minutes.

Councilmember Fraley-Monillas asked about interfund rental. Mr. Chave answered that is for vehicles, the Development Services Department's contribution to the A and B Fund. He noted vehicles were previously assigned by division; vehicles are now pooled to encourage use of electric vehicles.

Councilmember Bloom recalled there were funds allocated in 2006 or 2007 for the City Attorney and the former Development Services Director to work on a code rewrite which she noted did not happen other than small portions. The need to update the code costs the City money in terms of efficiency, enforcement, etc. She asked how the code rewrite will be done with fewer staff, fewer Planning Board meetings, etc. Mr. Chave recalled \$120,000 was budgeted at one time; the City Attorney and Development Services Director decided to save money by doing portions of the code rewrite in-house and using the remaining funds to hire a consultant which unfortunately was not done. Councilmember Bloom summarized the code rewrite is very important to the financial future of the City and can reduce potential lawsuits. Mr. Chave shared Councilmember Bloom's concern and suggested the Council retreat include discussion regarding the status of the code rewrite and ideas for moving forward.

Councilmember Bloom expressed concern about delaying work on the code rewrite until 2014. Mr. Chave stated a consultant to assist with a code rewrite would cost \$100,000-\$150,000. He was unsure where the funds could be identified in the 2013 budget. He suggested elements of the rewrite could be prioritized.

Mr. Hunstock explained next week's Council meeting will include the Police Department, Human Resources, Parks & Recreation and Public Works budgets.

COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER PETSO, TO EXTEND THE MEETING FOR 15 MINUTES. MOTION CARRIED UNANIMOUSLY.

7A. REPORT ON CITY COUNCIL COMMITTEE MEETINGS OF OCTOBER 9, 2012

Councilmember Johnson reported the Historic Preservation Commission has met twice this month and will meet a third time on Thursday.

Councilmember Yamamoto reported on the SnoCom meeting. Work is continuing on the New World system.

Councilmember Bloom reported the SeaShore Transportation Committee discussed their legislative agenda and electric vehicles pay their fair share because they do not pay gas tax. The Tree Board plans to discuss code language at their next meeting

Councilmember Bloom reported the Public Safety & Personnel Committee discussed Council procedures and developed a list of issues to address. Examples of issues include the Council has not adopted Roberts Rules of Order, the Council President's authority in setting agendas, the committee chair's role in setting agendas, reading of citizen emails. The committee plans to continue their discussion regarding Council procedures at their next meeting.

Councilmember Bloom reported the Economic Development Commission (EDC) meeting included discussion regarding retail only in BD1. The meeting was advertised as a joint EDC/Planning Board meeting but only two Planning Board Members attended. The EDC had a good discussion but much of it had been discussed by the Planning Board and the discussion did not advise the topic.

Councilmember Petso reported the Council approved everything on the Parks, Planning and Public Works Committee's agenda with the exception of discussion regarding design guidelines and the two new buildings on Edmonds Way. The Committee discussed a variety of issues associated with the buildings such as height limits, setback, lot coverage and zoning; she has received numerous citizen complaints about the buildings. The building on the corner is zoned BC - Edmonds Way; no other lots have that zoning. The other building to the west is zoned RM - Edmonds Way; there are two other lots with that zoning. The Committee agreed to research the ordinances that put those zones in place. She asked for Council approval for her to meet with Mr. Chave and Mr. Taraday to discuss eliminating or modifying those zones and an emergency moratorium to prevent land use applications while that effort is underway. Two other Councilmembers expressed interest.

Councilmember Petso commended Mr. Hunstock for his efforts on the RFA Finance Committee. She relayed the RFA Committee is continuing their discussions regarding a fire benefit charge.

Councilmember Fraley-Monillas reported the Parking Committee is interested in additional parking on the waterfront for commuter trains riders.

Councilmember Fraley-Monillas reported on the Snohomish Health Board meeting and Budget Committee meetings.

Mayor Earling reported Sound Transit is trying to locate another light rail maintenance base; one site has been identified in Snohomish County and four to five sites have been identified on the eastside. Lynnwood passed a resolution expressing concern with the site tentatively identified adjacent to the Park & Ride at 44th & 200th. A major portion of that property is owned by the Edmonds School District and there are other plans for the property.

8. REPORT ON OUTSIDE COMMITTEE/BOARD MEETINGS

Reports were provided under Agenda Item 7A.

9. MAYOR'S COMMENTS

Mayor Earling complimented Mr. Hunstock's organizational skills related to the budget presentation; the presentations have been much smoother than when he was on the Council. Mayor Earling requested Mr. Hunstock pass his accolades on to Ms. Sharp and the Finance Department staff.

10. COUNCIL COMMENTS

Councilmember Fraley-Monillas asked Mr. Taraday to develop a cheat sheet on Roberts Rules of Order. Mr. Taraday answered he would be happy to once the Council adopted Roberts Rules as part of their procedures. Councilmember Fraley-Monillas asked what parliamentary procedure the Council followed during its meetings. Mr. Taraday answered Resolution No. 292. He offered to email the resolution to Councilmembers.

Councilmember Petso echoed Councilmember Bloom's comments about mailbox size. She apologized to anyone who emailed her when email was down on Monday afternoon; she eventually received the emails but not timely. She looked forward to resolving the mailbox size issue.

Councilmember Petso asked Mr. Taraday to advise what constitutes an illegal meeting; for example meetings via email, if the Council decided something last week and four of them as still discussing it, etc. She also asked for clarification regarding sending a blind copy versus an email to more than two Councilmembers.

Councilmember Bloom pointed out Resolution No. 292 and a variety of other attachments are included in the Public Safety & Personnel Committee's October 16 agenda.

Council President Peterson relayed a number of citizens have stopped him on the street, come into his shop or contacted him to express their appreciation for the new buildings on Edmonds Way, a vast improvement over the prior condition of the site.

Councilmember Yamamoto expressed his appreciation for everyone's support, email, letters, and cards following his surgery. He echoed Mayor Earling's comments regarding the Finance Department's efforts on the budget.

Councilmember Johnson reminded Main Street is open and encouraged people to attend the third Thursday art walk and visit the businesses on Main Street. The project will be complete next month.

11. ADJOURN

With no further business, the Council meeting was adjourned at 10:16 p.m.